

BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
NORTHERN UTILITIES, INC. – NEW HAMPSHIRE DIVISION
2015 SUMMER COST OF GAS
DOCKET NO. DG 15-090
DIRECT TESTIMONY OF MARK A. ROBERTS, MANAGING DIRECTOR
ON BEHALF OF SPRAGUE OPERATING RESOURCES

I. INTRODUCTION

Q. Please state your name and business address for the record.

A. My name is Mark A. Roberts. My business address is 185 International Drive, Portsmouth, New Hampshire.

Q. For whom do you work and in what capacity?

A. I am a Managing Director – Gas Marketing and Sales for Sprague Operating Resources, LLC.

Q. Please tell the Commission a bit more about Sprague.

A. Sprague is a wholesale and commercial distributor engaged in the purchase, storage, distribution and sale of refined products and natural gas, and also provides storage and handling services for a broad range of materials. Sprague purchases, sells and markets natural gas to over 14,000 small and larger commercial and industrial customers in thirteen states, and is a licensed competitive gas marketer in New Hampshire. We are also an electricity broker to industrial and commercial customers in fourteen states. Sprague employs over 600 employees in the U.S. and 100 in Canada, and is the largest company in New Hampshire, as measured by revenue. In addition, Sprague is one of the largest independent wholesale distributors of refined products in the northeastern United States based on aggregate terminal capacity, owning and/or operating a network of 19 refined products and materials handling terminals that have a combined storage capacity of approximately 14.1 million barrels for refined petroleum products and other liquid gas materials, as well as approximately 1.5 million square feet of materials handling capacity.

1 **Q. Please provide a brief summary of your business experience.**

2 A. I have worked in positions of increasing responsibility for Sprague since I started with Sprague in
3 1999. Prior to joining Sprague, I was the Director of Operations at AllEnergy, an early entrant in
4 the area of competitive retail supply in the northeastern United States; Sales Manager and Gas
5 Supply Analyst for KeySpan Energy (now National Grid) in Boston; and special assistant to the
6 Secretary of the Commonwealth of Massachusetts' Division of Energy Resources under
7 Governor Dukakis. After attending the University of Texas/Austin, I graduated from
8 Northeastern University in 1986 with a BA/BS in Business Administration.

9
10 **Q. Have you testified before this regulatory commission?**

11 A. I have not testified before this Commission in the past.
12

13 **Q. For whom are you testifying today?**

14 A. For administrative efficiency, Sprague has intervened in this proceeding jointly with Global
15 Montello Group Corp. ("Global"). After reviewing my testimony, Global has informed me that it
16 supports and endorses the positions I set forth here.
17

18 **Q. Please summarize your testimony.**

19 A. Northern's proposed methodology for returning the Portland Natural Gas Transmission System
20 ("PNGTS") Federal Energy Regulatory Commission ("FERC") rate case refund to marketers should
21 be rejected. The refund was directly paid by marketers to Northern in cash, was returned by
22 PNGTS to Northern in one payment and it should be refunded in cash directly to marketers,
23 based on the amounts actually paid. The refund amount is significant and this alone justifies
24 greater scrutiny in the refund method. The refund calculation should be simple to calculate and
25 administratively efficient to verify. A cash refund based on amounts actually paid by marketers
26 is the best way to ensure these principles are met.
27

28 **II. THE COMMISSION SHOULD APPROVE THE RETURN OF THE PNGTS REFUND FOR MARKETERS**
29 **UNDER NORTHERN'S NEW HAMPSHIRE DIVISION CAPACITY ASSIGNMENT PROGRAM AS A**
30 **ONE-TIME CASH REFUND.**
31

32 **Q. Please describe the interstate pipeline rate refund Northern obtained from PNGTS.**

1 A. The refund Northern obtained from PNGTS was paid to Northern by PNGTS in cash and was in
2 excess of \$22 million in total. The refund is the result of long-term over-collections paid to
3 PNGTS by Northern and the retail marketers operating in Northern's service territories, over a
4 four-year period, from 2010 to 2014. PNGTS was ordered by the FERC to refund all amounts
5 that exceeded the January 2015 final rate order in its rate proceeding, FERC Docket No. RP 2010-
6 729, and to do so with interest.

7
8 **Q. Please describe the refund methodology Northern proposes to use to refund the PNGTS over-**
9 **collection.**

10 A. Northern proposes to refund the PNGTS over-collection to sales and transportation customers
11 over a three-year period, use the un-refunded balances to off-set Northern's own short-term
12 debt balances, and pay the short-term interest rate on non-refunded balances until the over-
13 collection is extinguished. *See Northern's response to GMGC-SPRAG-1-6.* Northern proposes
14 that each marketer's total refund will be determined prospectively by the pro rata share of its
15 assigned PNGTS capacity to Northern's total PNGTS capacity, as determined through the
16 capacity assignment program. *See Northern's response to GMGC-SPRAG-1-1.* Northern will not
17 pay the refund in cash but rather proposes to apply the refund as a reduction over three years
18 to "company-managed demand costs." *See Northern's response to GMGC-SPRAG-1-1.*

19
20 **Q. Why does Sprague oppose this refund methodology?**

21 A. Sprague opposes Northern's proposed refund methodology for three reasons: (1) the refund
22 was directly paid by marketers to Northern in cash, Northern received the refund from PNGTS in
23 a one-time payment and it should be refunded in cash directly to marketers based on the
24 amounts actually paid by them; (2) the refund amount is significant; and (3) the refund
25 calculation should be simple to calculate and administratively efficient to verify. A cash refund
26 based on amounts actually paid is the best way to ensure this.

27
28 **Q. What refund methodology do you believe the Commission should require Northern to employ**
29 **for delivery customers?**

30 A. **The refund should be returned to Sprague in cash and based on the amounts actually paid.**
31 Since the refund was directly paid by marketers to Northern in cash, it should be based on the
32 actual payments made towards the over-collection as they were incurred over time and
33 returned directly to marketers in a one-time payment. A prospective refund is calculated to
34 benefit Northern and reduce the amount of the refund actually paid to marketers for the
35 following reasons.

- In New Hampshire, Northern always passes through increases in capacity costs as they are incurred. Marketers, by significant contrast, are locked into contracts with all their customers before service even begins and these contracts are for multiple years, so when a rate is increased, the economics of each customer contract changes. In other words, marketers bore the burden of the PNGTS rate increases in real time, even as those increases created material changes, and often losses, to the expected underlying economics.
- Other utilities pay such credits in one payment right to the marketer invoices and the Commission has also approved one-time refunds. Northern and its affiliates have handled refunds related to the Tennessee Gas Pipeline rate case in that way. Clearly, if Northern could apply the calculation for a one-time refund to the TGP FERC rate case refund, it can apply it to the PNGTS FERC rate case refund.
- Finally, if customers return to sales service, they will directly receive the refund as part of lower costs from Northern, and marketers, who paid for the over-collection and bore any burden in the changing economics of their contracts, will not see the return of amounts that they duly paid.

The refund amount is significant. The size of the refund is significant in Sprague's view for this particular refund. In the past, refund amounts have not risen to a level to that would justify participation in a regulatory proceeding to enforce a more equitable distribution. For example, the PNGTS refund for the 2008 rate proceeding, which concluded in 2010, was just \$1,253,010.85, as compared to \$22,025,257.36 in the instant refund. Sprague paid over a million dollars towards this over-collection between its Sprague operations in Maine and New Hampshire and its newly acquired accounts from Metromedia Energy. The refund should be paid directly to Sprague in cash.

The refund calculation should be simple to calculate and administratively efficient to verify. A cash refund based on amounts actually paid is the best way to ensure this. Good accounting practices require refunding the credited amount with at least the same interest as was earned on it when it was in PNGTS' hands. Northern's proposed method based on prospective crediting of "company-managed demand costs" with an unreasonably low interest rate over a three-year period would make tracking the dollars a nightmare and likely to result in inequity. Multiplying the actual assigned TCQ of each capacity assigned customer by the disallowed increase in PNGTS costs paid from 2010 to 2014 is a simple and administratively efficient method of ensuring the dollars owed are the dollars refunded.

Q. Does Sprague have any position with regard to the Office of Consumer Advocate's request that residential and small commercial customers receive their refund in a twelve month period rather than a three-year period?

A. I would only note that if the primary concern against the Consumer Advocate's proposal is that customers may not understand the impact on rates, then a coordinated and strategic

1 communications plan implemented by the Commission, the Consumer Advocate and Northern
2 would likely take care of this concern and ably explain to customers that the lower rates are not
3 permanent because of this short term refund. Most people prefer their cash in their own
4 pockets.

5

6 **Q. Does that conclude your testimony?**

7 A. Yes, subject to any supplement that may be needed for clarifications, it does.